

The Foreign-Trade Zone Program: Adding Value to Hawaii's Economy

**The Foreign-Trade Zone Division
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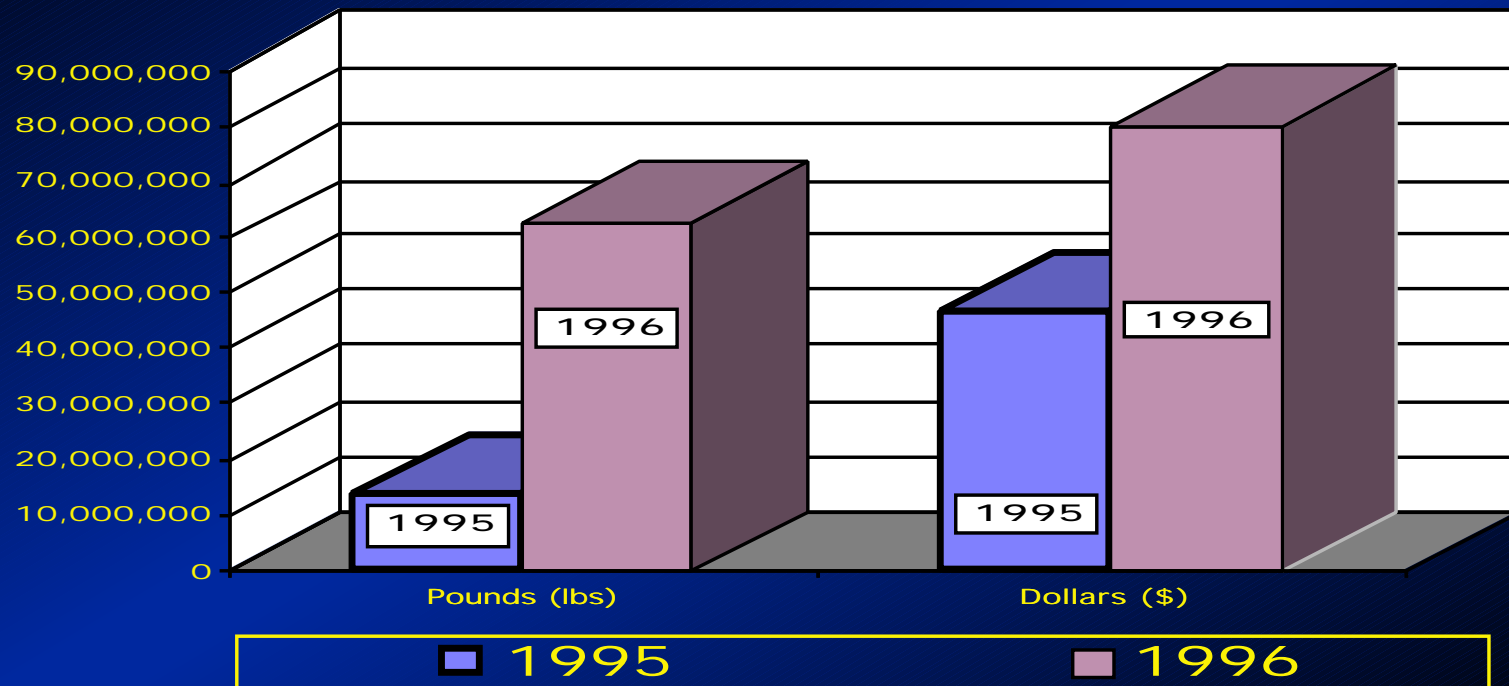
Manufacturing and Cargo Services

- u 13 sites approved; 7 sites used
- u Direct employment of 1,737 persons
- u Total employment impact of 4,398 jobs
- u Handled \$2.2 billion in merchandise
- u Exports of \$357 million
- u Value-added of \$159 million

General-Purpose Zones: Total Merchandise Handled

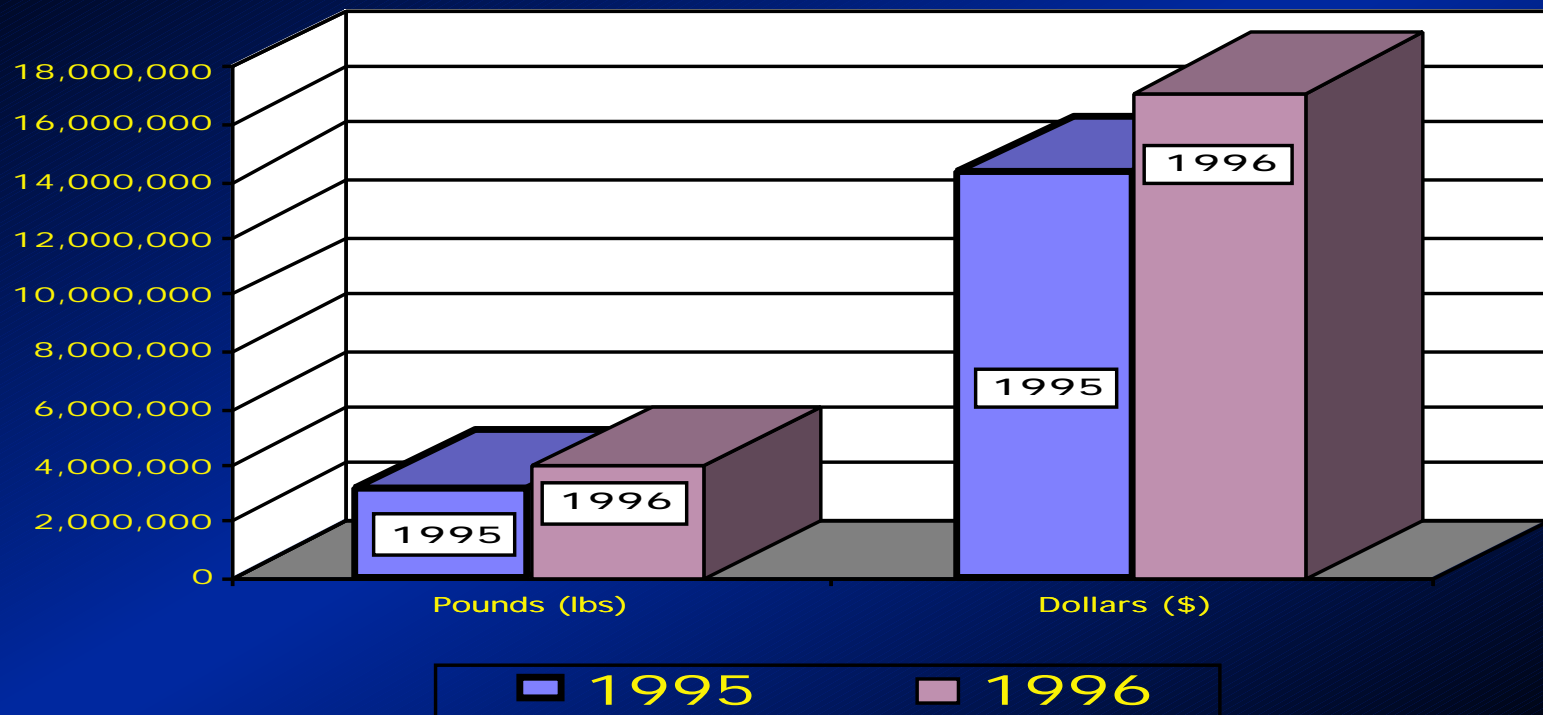
237% increase by Weight

46% by Value



Increase in Export Activity

23% increase by Weight 10% increase by Value



Leading Foreign Goods by Value and Country at Pier 2

- u **Vehicles** - \$912,492
- u **Prepared Food** - \$224,046
- u **Water, Beer, Wine** - \$82,842
- u **Wearing Apparel** - \$77,615
- u **Leather and Leather Goods** - \$61,392

- u **Japan** - \$16,862,720
- u **Hong Kong** - \$3,847,778
- u **Germany** - \$1,163,085
- u **Italy** - \$911,558
- u **France** - \$832,989

Transshipments Increase

- u The FTZ saw \$17.1 million worth of goods exported
- u 62.2% of foreign goods received exported
- u Average over the last 8 years of 52% of foreign merchandise re-exported
- u Increase of 23% to 2,000.7 tons
- u Transshipment activity - 73 direct jobs

FTZ Nationwide

- u 124 active FTZ projects; 69 oversaw subzone activity
- u 334 subzones handled \$119.5 billion in 1994
- u Subzone activity represented 89% of this figure with \$106.4 billion in activity
- u 2,700 firms employed 292,000 people

Subzones: Reducing Trade Risk

- u **Ready-to-use** - 198 subzones
- u **In Use** - 136 subzones
- u **Pending** - 39 subzones

Types of Subzone Activity

- u Autos
- u Oil refineries
- u Pharmaceutical
- u Office equipment
- u Computers/
telecommunications
- u Shipyards

- u Food processing
- u Appliances
- u Chemical
production
- u Apparel/footwear
- u Power/hand tools
- u Marine systems

Food Processing

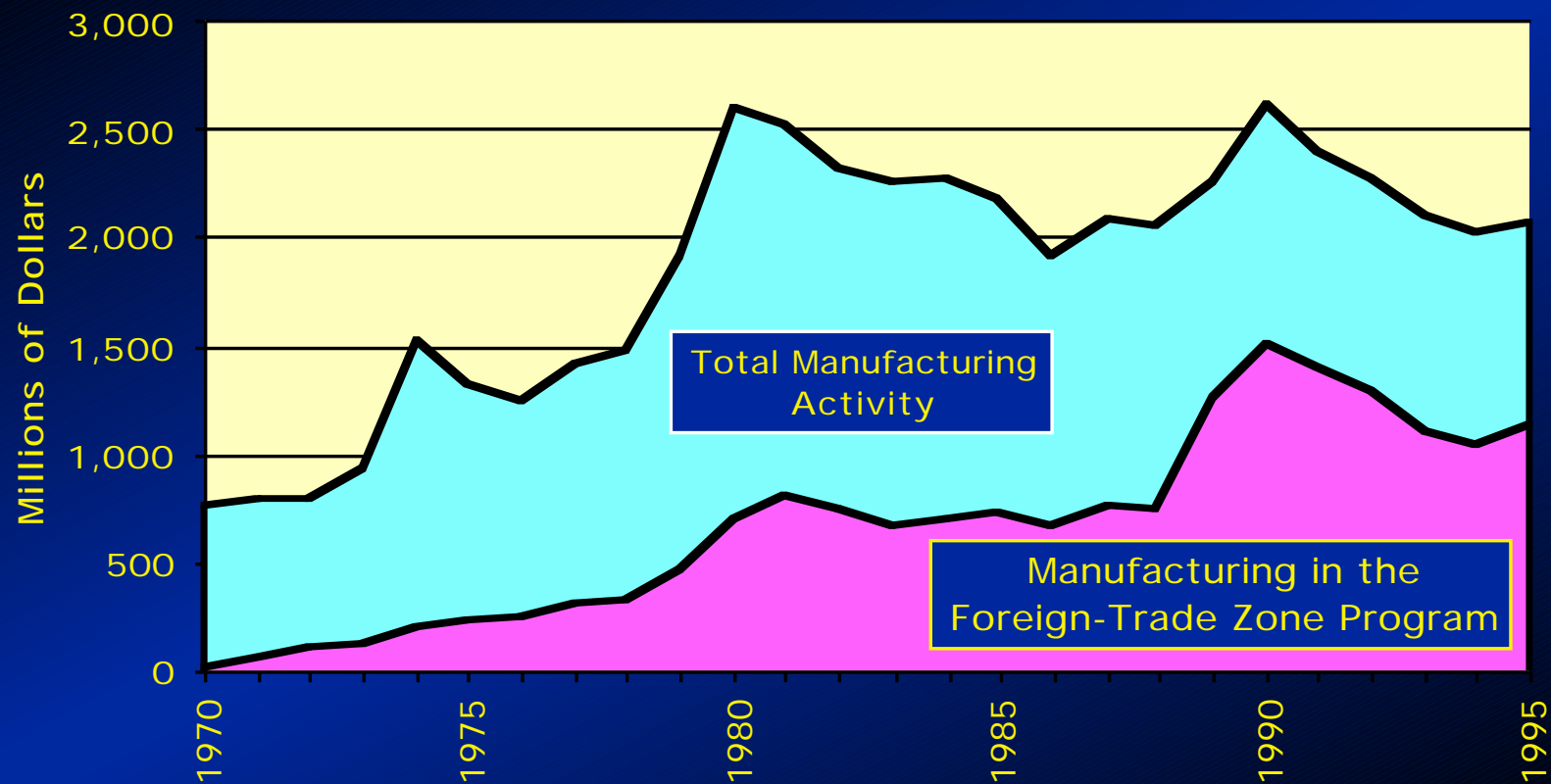
<u>Name of Company</u>	<u>Location</u>	<u>Zone Status</u>
• American Feed & Livestock	Howard Lake, Michigan	Ready-to-go
• Consolidated Biscuit Company	McComb, Ohio	Ready-to-go
• Continental Mills, Inc.	Pendleton, Oregon	Ready-to-go
• Davisco International Inc.	La Sueur, Michigan	Ready-to-go
• Dole Processed Foods	Honolulu, Hawaii	In-use
• Gulf Debruyne Produce Company	Weslaco, Texas	Ready-to-go
• Haarmann & Reimer Corporation	Goose Creek, South Carolina	Ready-to-go
• International Flavors & Fragrances	Hazlet, New Jersey	Ready-to-go
• International Flavors & Fragrances	Union Beach, New Jersey	Ready-to-go
• International Flavors & Fragrances	Dayton, New Jersey	Ready-to-go
• Kerr Pacific Corporation, HFM Division	Honolulu, Hawaii	In-use
• Lactoprot, USA	Blue Mounds, Wisconsin	Ready-to-go
• Maui Pineapple Company	Kahului, Hawaii	In-use
• McManus Produce Company	Weslaco, Texas	Ready-to-go
• Mead Johnson & Company	Zeeland, Michigan	Ready-to-go
• Mead Johnson & Company	Evansville, Indiana	In-use
• Milk Specialties Company	Dundee, Illinois	In-use
• Reilly Dairy & Food Company	Tampa, Florida	Ready-to-use
• Sundor Brands, Inc.	Weslaco, Texas	Ready-to-use
• Wisconsin Dairies Coop	Preston, Wisconsin	Ready-to-use
• Wyeth Nutritionals, Inc.	Georgia, Vermont	In-use

Calculating the Basic Savings

The following questions help identify if a foreign-trade zone benefit exists for a particular manufacturing operation

- u Are foreign materials used in the manufacturing process less expensive than domestic materials?
- u Are foreign ingredients being purchased through a domestic vendor?
- u Are there seasonal fluctuations in the price of certain domestic commodities?
- u Is there a difference in tariff rates between the finished good and the final product?
- u Are any of the ingredients used in the manufacturing process subject to a quota?
- u Is a portion of the company's sales exports?

Manufacturing in Hawaii Under Zone Procedures



Subzone Activity in Hawaii for 1996

- u \$2,128,011,382 in merchandise handled
- u Exports of \$339,878,585
- u \$143,961,145 of value-added activity
- u Employment of 1,573 workers

Hawaii Foreign-Trade Zone

Japan

Tin plate for
pineapple cans

Exports

Final product
exported duty-free

Manufacturing Activity

Tin Plate

- Customs rate 4.3%
- Duty-deferred
- FIFO accounting

Tin plate manufactured into tin
cans

Tin cans filled with Hawaii-
grown pineapple;
Product packaged and prepared
for distribution

Customs Service

Classifies final product as
sanitary tin cans--duty free

Zone procedures
allow the
manufacture
of tin cans

Local labor is added

Customs Service
inspects final product

Domestic Commerce

Canned pineapple enters the United States duty-free